

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 189193

EXDIS

E.O. 11652:

TAGS:

SUBJECT: FY 1977 PROGRAM SUBMISSION

REF: (A) CAIRO 7585 (B) STATE 178995 (C) 7303

1. APPRECIATE TIMELY RESPONSE PROVIDED REF (A).
ALTHOUGH PROGRAM REVIEW NOT HELD AS SCHEDULED, WE
HAVE NOW HAD TIME TO REFLECT MORE THOROUGHLY ON
SUBMISSION AND FIND THAT THERE REMAIN NUMBER OF
RATHER BASIC QUESTIONS WHICH NEED BE RESOLVED AS
QUICKLY AS POSSIBLE -- PARTICULARLY THOSE HAVING TO
DO WITH OUR FY 1976 PROGRAM.

2. MOST FUNDAMENTAL THESE QUESTIONS PERTAINS TO SIZE
OF FY 1976 PROGRAM. SUBMISSION RECOMMENDS DOLS 500
MILLION FOR FIFTEEN MONTH PERIOD. IN DISCUSSING THIS
WITH AMBASSADOR EILTS HERE, WE INFORMED HIM THAT ENTIRE
FIFTEEN MONTH SPAN IN QUESTION NOT BEING TREATED AS
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SINGLE FISCAL PERIOD IN USG BUDGET. RATHER, IT IS

BROKEN INTO NORMAL TWELVE MONTH PERIOD (I.E., REGULAR
FY 1976) AND SEPARATE AND DISTINCT THREE MONTH FISCAL

PERIOD BETWEEN REGULAR FY 1976 AND BEGINNING OF FY 1977 ON OCTOBER 1, 1976. THIS PRESUMABLY WILL MEAN THAT FUNDS FOR THESE TWO FISCAL PERIODS WILL NOT BE FUNGIBLE. IN TERMS OF AID CONGRESSIONAL PRESENTATION, IT MEANS THAT, IF SUBMISSION RECOMMENDATION FOLLOWED, REQUEST FOR EGYPT WOULD SHOW (ASSUMING EVEN DISTRIBUTION FUNDS) DOLS 400 MILLION FOR REGULAR FY 1976 PERIOD AND DOLS 100 MILLION FOR SEPARATE FIFTH QUARTER PERIOD. WE CONCERNED OVER QUESTION WHETHER THIS COULD CAUSE MISUNDERSTANDING WITH EGYPTIANS IN VIEW SALZBURG DISCUSSIONS WITH SADAT AND REQUEST USAID/EMBASSY RE-EXAMINE THIS QUESTION. IF USAID/EMBASSY BELIEVES ON BASIS ABOVE INFORMATION THAT LEVEL OF ASSISTANCE SHOULD BE RAISED BEYOND DOLS 500 MILLION DISCUSSED REF (C), WE WILL NEED RECOMMENDATION FOR USE THESE ADDITIONAL FUNDS.

3. ABOVE QUESTION BEARS DIRECTLY ON ISSUE SIZE OF CIP PROGRAM ADDRESSED PARA 2 BOTH REFS (A) AND (B). IF SEPARATE INTERIM QUARTER FUNDS AVAILABLE FOR CIP USE IN SECOND HALF CY 1976, PORTION OF REGULAR FY 1976 PROGRAM TO BE USED FOR CIP CAN PRESUMABLY BE REDUCED. IN ANY CASE, WE RELUCTANT FOR REASONS RECOGNIZED BY USAID/EMBASSY IN PARA 5 REF (A) TO PRESENT FY 1976 PROJECT/PROGRAM SPLIT WITH GREATER THAN HALF (I.E., DOLS 250 MILLION) DESIGNATED FOR CIP. BELIEVE WE NEED AT MINIMUM EQUAL BALANCE WITH PROJECTS IN BOTH FY 1976 AND FY 1977.

4. THIS MEANS THAT WE WILL NEED IDENTIFY AT LEAST DOLS 50 MILLION MORE IN PROJECTS FOR FY 1976 THAN LISTING IN REF (C). BELIEVE ONE GOOD CANDIDATE FOR THIS MIGHT BE HELWAN GAS TURBINE PROJECT MENTIONED REF (B). RECOGNIZE THAT THIS IN COMBINATION WITH POWER PLANT AND FY 1975 FINANCED ELECTRIC DISTRIBUTION SYSTEM WOULD RESULT NUMBER OF POWER PROJECTS UNDERWAY SIMULTANEOUSLY; HOWEVER, WE DO CONFIDENTIAL

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NOT VIEW SOME CONCENTRATION AID RESOURCES IN FIELD OF POWER AS NEGATIVE FACTOR.

5. WE IN AGREEMENT WITH USAID/EMBASSY THAT WE SHOULD AT SAME TIME MOVE FORWARD AS QUICKLY AS POSSIBLE ON OTHER PHASES OF GRAIN STORAGE PROJECT. ASSUME YOU WILL BE DISCUSSING SCOPE WORK FOR NECESSARY FEASIBILITY STUDY WITH STERNER DURING HIS TDY IN CAIRO. THIS STUDY WILL HAVE TO BE MOUNTED WITHOUT DELAY. YOU MAY ALSO WISH DISCUSS WITH STERNER PRACTICALITY INCLUDING IN THIS STUDY EXAMINATION OF VEG OIL STORAGE QUESTION RAISED IN REF (C) AS POSSIBILITY FOR FY 1977 FINANCING.

6. WE CONTINUE BELIEVE THAT WE MUST TO EXTENT POSSIBLE DEVELOP INDIVIDUAL PROJECTS FOR FY 1977 SUEZ RECONSTRUCTION PROGRAM RATHER THAN RELY ON ESTABLISHMENT OF GENERAL FUND. REALIZE THAT MASTER PLANNING FOR AREA WILL NOT BE COMPLETED IN ENTIRETY UNTIL APRIL 1976 BUT HOPE THAT THROUGH CONTACTS WITH TAMS AND MIN HOUSING AND RECONSTRUCTION YOU WILL BE ABLE GAIN SUFFICIENT INSIGHT FROM PRELIMINARY DRAFTS TO DEFINE PROJECTS BY END CY 1975 FOR CONGRESSIONAL PRESENTATION PURPOSES. IN CASE OF WATER AND SEWAGE PROJECT, THIS APPARENTLY POSSIBLE WITHOUT UNDUE DIFFICULTY SINCE MASTER PLANNING THIS ASPECT PER REF (C) WILL BE COMPLETED TOWARD END CY 1975; PORT RECONSTRUCTION AND IRRIGATION WILL UNDOUBTEDLY BE MORE DIFFICULT, BUT BELIEVE WE SHOULD DO WHATEVER POSSIBLE REFINE INFORMATION FOR INDIVIDUAL PROJECT DATA SHEETS THESE AREAS ALSO.

7. FINALLY, BELIEVE USAID/EMBASSY MAY HAVE MIS-UNDERSTOOD OUR REF (B) COMMENT REGARDING POSSIBILITY BROADER PROGRAMS IN WATER USE AND RURAL HEALTH. WE DID NOT INTEND IMPLY SUPPORT FOR LOOSELY STRUCTURED PROGRAMS OF SECTORAL FINANCING. WE SIMPLY WISHED REGISTER POINT THAT EVEN THOUGH CENTRAL EFFORT TO BE ONE OF TECHNICAL ASSISTANCE, REAL IMPROVEMENT IN EITHER RURAL HEALTH OR WATER USE IN EGYPT LIKELY TO BE AT LEAST PARTIALLY DEPENDENT ON CONFIDENTIAL

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OTHER FORMS INVESTMENT. WE AWARE, FOR EXAMPLE, OF PERSISTENT DRAINAGE PROBLEMS OF DELTA AREA AND OF IBRD CAPITAL PROJECTS TO IMPROVE DRAINAGE IN SEPARATE AREAS OF BOTH DELTA AND UPPER EGYPT; GIVEN IMPORTANCE

IRRIGATION AND WATER USE TO EGYPTIAN ECONOMY, WE INTERESTED IN MERIT OUR THINKING IN TERMS AID FINANCING MORE COMPREHENSIVE (THOUGH PERHAPS GEOGRAPHICALLY LIMITED) APPROACH TO PROBLEM BY FY 1977 THAN TECHNICAL ASSISTANCE BEING SUGGESTED. SIMILARLY, IN RURAL HEALTH, WE UNDER IMPRESSION THAT TECHNICAL ASSISTANCE ALONE MAY NOT BY ITSELF BE ADEQUATE TO BRING ABOUT IMPROVEMENTS WE WISH. FINANCING MAY BE REQUIRED FOR IMPROVED MEDICAL EQUIPMENT OR OTHER INPUTS AS WELL. IN ANY CASE, IF USAID CONTINUES DESIRE THAT FY 1976 CONGRESSIONAL PRESENTATION INCLUDE INDIVIDUAL TA SHEETS FOR BOTH WATER USE AND RURAL HEALTH, REQUEST THAT YOU CABLE SOONEST DESCRIPTION OF PROJECT AS YOU NOW SEE IT SO THAT WE CAN PREPARE SHEETS WHICH IN CONFORMITY WITH MISSION PLANS.

8. ADVISE. KISSINGER

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